IWC COMMUNICATIONS LIMITED
81 Barber Greene Road
Don Mills, Ontario M3C 2A3

Operating Subsidiaries

CFGM Broadcasting Limited
Radio CFOX Inc.
Sarnia Broadcasting (1964) Limited
Barrie Cable TV Limited
Orillia Cable TV Limited
Terra Communications Limited

Associated Company

Global Communications Limited

File

IWC COMMUNICATIONS LIMITED

INTERIM REPORT

Six months ended
FEBRUARY 29, 1976

IWC COMMUNICATIONS LIMITED

To the Shareholders:

Revenue of IWC Communications Limited for the six months ended February 29, 1976 was $2,377,000, compared to $2,346,000 for the same period of the previous year. Income before extraordinary items was $128,000, compared to $220,000 for the same period of the previous year.

IWC has a substantial interest in Global Communications Limited and that company earned a profit of $103,000 for the six months ended February 29, 1976, compared to a loss of $2,592,000 for the same period of the previous year.

All IWC radio and cable divisions are showing profit improvements, with the exception of Radio Station CFOX in Montreal. As reported earlier, your management moved CFOX from a country music format to a more contemporary musical style in 1975. All program changes have now been completed and we anticipate progressive improvements over the next few months.

ALLAN SLAIGHT
President

April 14, 1976

CONSOLIDATED STATEMENT OF OPERATIONS

Six months ended February 29, 1976

(with comparative figures for 1975)

(Unaudited)	1976	1975
	(000's)	
Revenue	$2,377	$2,346
Expenses:		
Selling, programming, technical and administrative	1,720	1,628
Interest (net)	61	71
Depreciation	313	282
Amortization of deferred development costs	19	19
	2,113	2,000
Operating income	264	346
Interest income on Global 1974 interest debentures	187	148
Income before income taxes and extraordinary item	451	494
Income taxes	323	274
Income before extraordinary item	128	220
Extraordinary item –		
Income tax reductions resulting from carryforward of prior years' losses	51	120
Net income	$ 179	$ 340
Net income per share:		
Before extraordinary item	1.8¢	3.2¢
Extraordinary item	0.7¢	1.8¢
For the period	2.5¢	5.0¢
Average number of shares outstanding (000's)	7,247	6,833

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Six months ended February 29, 1976

(with comparative figures for 1975)

(Unaudited)	1976	1975
	(000's)	
Source of Funds		
Income before extraordinary items	$ 128	$ 220
Charges not affecting working capital –		
Depreciation	313	282
Amortization	19	19
Deferred income taxes	109	6
Funds from ordinary operations	569	527
Income tax reductions resulting from carryforward of prior years' losses	51	120
Sale of securities	2	
	622	647
Application of Funds		
Investment in Global Debentures		2,000
Repayment of interim advances from shareholders		1,000
Less funds obtained from related issue of shares, under rights offering, net of applicable costs		(2,879)
		121
Additions to fixed assets	383	272
Reduction of long-term liabilities	114	385
	497	778
Increase (decrease) in working capital	125	(131)
Working capital (deficiency) at beginning of year	(1,054)	(276)
Working capital (deficiency) end of period	$ (929)	$ (407)

IWC COMMUNICATIONS LIMITED

1976 ANNUAL REPORT

Directors and Officers

IWC COMMUNICATIONS LIMITED, 81 BARBER GREENE ROAD, DON MILLS, ONTARIO M3C 2A3

Directors

J. Trevor Eyton, Q.C., *Partner, Tory, Tory, DesLauriers and Binnington (Barristers and Solicitors)*
Donald H. Gordon, *Vice-President and Secretary, Allpak Products Limited (Diversified Investment and Holding Company)*
John W. Hardie, M.B.A., *Vice-President, Finance and Treasurer of the Corporation; Vice-President, Finance and Administration, Global Communications Limited*
Joseph J. MacBrien, *Vice-President, Johnston MacBrien Limited (Investment Counsel)*
Peter J. Nadler, C.A., *Partner, Nadler, Gould & Company (Chartered Accountants)*
Allan Slaight, *President and Chief Executive Officer of the Corporation and Global Communications Limited*
Lloyd F. Stevens, F.C.A., *President, Allpak Products Limited (Diversified Investment and Holding Company)*
Michael G. Thorley, *Partner, Tory, Tory, DesLauriers and Binnington (Barristers and Solicitors)*

Officers

Allan Slaight, *President and Chief Executive Officer*
John W. Hardie, M.B.A., *Vice-President, Finance and Treasurer*
John G. Carnegie, *Vice-President, Radio Division*
George E. Saunders, *Vice-President, Cable Division*
J. Trevor Eyton, Q.C., *Secretary*
G. Elizabeth Hannan, R.I.A., *Assistant Treasurer*

Auditors
Clarkson, Gordon & Co., Toronto, Ontario

Solicitors
Tory, Tory, DesLauriers & Binnington, Toronto, Ontario

Transfer Agents
Guaranty Trust Company of Canada, Toronto, Ontario

Stock Listing
Toronto Stock Exchange

Operating Subsidiaries
CFGM Broadcasting Limited
Radio CFOX Inc. Sold
Sarnia Broadcasting (1964) Limited
Barrie Cable TV Limited
Orillia Cable TV Limited
Terra Communications Limited

Associated Company
Global Communications Limited

IWC Communications Limited is a constrained share Corporation at least 80% of the shares of which must be beneficially owned by persons who are Canadian citizens or who are corporations controlled in Canada.

President's Report

Net income for the year ended August 31, 1976 was $506,556, compared to $159,263 for the previous year. Several significant developments occurred during the past year which we expect will be of substantial benefit to your Company.

Radio

Our Radio Division, consisting presently of CFGM (Richmond Hill), CHOK (Sarnia), and CFOX (Montreal), will soon be augmented by the addition of a new FM station with studios located in the Hudson's Bay Centre in mid-town Toronto.

Your Company is delighted to have its first opportunity to participate in the dynamic FM market. No new English-language radio station has been signed on in Toronto in the past thirteen years. During that time, Metropolitan Toronto's population has increased by 42%, or 820,000 persons. It is anticipated that our new FM station will commence broadcasting late this spring on frequency 107.1 and will program contemporary album selections and specialized music to appeal primarily to the 18—34 year old listening audience.

CFGM's approved AM frequency change from 1310 to 1320, which should be completed in the fall of 1977, will extend CFGM's daytime coverage to embrace an additional 1,000,000 residents of Southern Ontario. Its present nighttime signal will improve by approximately 30%, thus consolidating CFGM's position as Canada's Number One Country Music Station.

During the past year, while CFOX's programming format was being altered to capture a larger share of its potential audience, substantial losses were incurred. Recent BBM surveys, however, already confirm a 20% gain in audience circulation and bookings are significantly ahead of one year ago. Results are expected to be much improved during the coming year.

CHOK continues to be the dominant station in the Sarnia market. During the 1976 fiscal year, CHOK again demonstrated its ability to maintain impressive growth in both revenue and profitability.

Cable

Our Cable Division consists of operations in Barrie, Orillia, and Mississauga. All three systems registered revenue increases over the previous year and the combined pre-tax operating earnings of the cable operations increased substantially over the previous year. The most significant improvement occurred in our Mississauga operation, which reported its first operating profit since its inception in 1969.

On October 1, 1976, the licences for Barrie and Orillia were renewed for a period of three-and-a-half years. On December 21, 1976, the Canadian Radio-television and Telecommunications Commission ("CRTC") approved rate increases for Barrie and Orillia of 75¢ per month each, to offset the extra costs of microwave service for improved reception of two U.S. channels by Barrie and Orillia residents.

Investment in Global Communications Limited

Global Communications Limited ("Global") registered dramatic improvement in operating results. Its loss for the year, after a write-down of excess film and program rights in the amount of $1,235,141, was $838,863. This compares to a loss in the previous year of $4,797,860. Total revenue increased by $6,890,771 (80.6%) to $15,444,419. Operating expenses increased by $1,341,339 (11.1%) to $13,475,945. The company is now operating profitably.

For a variety of reasons, IWC management determined that if it were to continue with the major responsibility for Global, it should hold all of the Global securities held by the Global Group comprising Global Ventures Western Ltd. ("Ventures"), Seymour Epstein ("Epstein"), and IWC, or otherwise it should receive a cash price for the Global securities held by IWC, substantially in excess of their cost. Toward this end, negotiations were initiated with Ventures and Epstein to merge their interests into IWC. When these negotiations proved unsuccessful, IWC exercised the buy-sell provision contained in the Global Group Agreement, and offered to purchase the Global securities held by Ventures and Epstein,

or to sell to them the Global securities held by IWC. On January 13, 1977, Ventures and Epstein exercised their option to purchase the Global securities held by IWC for $6,836,100 cash. The IWC offer provided that if the CRTC should for any reason not approve the purchase by Ventures and Epstein, then they shall be deemed to have offered, open for acceptance within thirty days, to sell their Global securities to IWC, at the same relative price.

The purchase by Ventures and Epstein requires the approval of the CRTC and will be considered by the CRTC at a public hearing commencing on March 1, 1977. IWC has confirmed to the CRTC that, in the event the purchase by Ventures and Epstein is not approved, it will exercise its option, provided by the terms of its original offer, to purchase the Global securities held by Ventures and Epstein.

In its announcement of January 25, the CRTC referred to an:

> "Application by Global Communications Limited for approval of the transfer of IWC Communication Limited's interest in Global Communications Limited to Global Ventures Western Ltd. and to Seymour Epstein in accordance with certain existing contractual arrangements between Global's present security holders.
>
> "The Commission will wish to examine with all parties the consequences which will flow from either an approval or denial of this application."

In the meantime, IWC will continue to manage Global under its existing management contract.

Management Appointments

We are pleased to announce the appointment of John W. Hardie as Vice-President, Finance and Treasurer. Mr. Hardie has been a Director of IWC since 1974. Prior to his joining the IWC management team in July 1976, Mr. Hardie was chief executive officer of companies engaged in financial and consumer services and manufacturing.

Outlook

We are confident that the improvements made by your Company in 1976 will continue in 1977. We look forward to the challenge of making our new FM facility the finest in Toronto, just as we have enjoyed the challenge of proving that the Global concept is viable in the most competitive television market in the world.

President

January 29, 1977

Consolidated Balance Sheet

IWC COMMUNICATIONS LIMITED (Incorporated under the laws of Ontario)

	August 31	
ASSETS	1976	1975
Current:		
Cash and bank deposit receipts	$ 93,600	$ 170,046
Accounts receivable	582,262	566,119
Deposits, prepaid expenses and other	97,316	93,910
	773,178	830,075
Investment in debentures of Global Communications Limited, at cost (note 2)	3,496,500	3,500,000
Fixed, at cost (note 3)	7,379,049	6,588,614
Less accumulated depreciation	3,418,526	2,815,536
	3,960,523	3,773,078
Other:		
Excess of purchase price of shares and assets of subsidiaries over estimated fair value of underlying net tangible assets at dates of acquisition	4,742,461	4,692,461
Deferred frequency change costs	93,473	
Deferred development costs		22,692
Sundry other assets	57,145	40,561
	4,893,079	4,755,714
	$13,123,280	$12,858,867

The accompanying notes are an integral part of these financial statements.

LIABILITIES	August 31 1976	1975
Current:		
Operating bank indebtedness (note 4)	$ 366,325	$ 215,000
Provision for loss under bank guarantee (note 8)		300,000
Accounts payable and accrued liabilities	514,722	370,650
Income and other taxes payable	212,650	233,115
Deferred subscription revenue	303,620	232,354
Principal amounts of long-term liabilities due within one year (note 4)	380,026	533,259
	1,777,343	1,884,378
Long-term liabilities (note 4)	416,384	676,410
Deferred income taxes	329,100	198,600
Shareholders' equity (notes 4 and 5):		
Capital—		
Authorized:		
10,000,000 shares without par value		
Issued:		
7,247,037 shares	7,788,452	7,788,452
Retained earnings	2,812,001	2,311,027
	10,600,453	10,099,479
	$13,123,280	$12,858,867

On behalf of the Board:

Allan Slaight, Director

John W. Hardie, Director

Consolidated Statement of Income

IWC COMMUNICATIONS LIMITED

	Year ended August 31 1976	1975
Revenue	$4,830,799	$4,787,015
Expenses:		
Selling, programme, technical and administrative	3,554,276	3,316,197
Interest—long-term debt	102,026	152,217
—other (net)	22,436	(10,184)
Depreciation	615,133	555,404
Amortization of deferred development costs	22,692	38,940
	4,316,563	4,052,574
Operating income	514,236	734,441
Interest on Global 1974 interest debentures (note 2)	386,420	313,925
Income before income taxes and extraordinary items	900,656	1,048,366
Income taxes	445,500	564,728
Income before extraordinary items	455,156	483,638
Extraordinary items:		
Provision for loss arising from insolvency of former subsidiary, less applicable income tax reductions of $26,500		(527,175)
Income tax reductions resulting from carry forward of prior years' losses	51,400	202,800
	51,400	(324,375)
Net income for the year	$ 506,556	$ 159,263
Net income per share:		
Before extraordinary items	6.3¢	6.9¢
Extraordinary items	0.7	(4.6)
For the year	7.0¢	2.3¢

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Retained Earnings

IWC COMMUNICATIONS LIMITED

	Year ended August 31	
	1976	1975
Retained earnings, beginning of year	$2,311,027	$2,173,350
Add net income for the year	506,556	159,263
Deduct:		
15% tax paid on 1971 undistributed income on hand of subsidiary corporation	(5,582)	
Share issue costs under rights offering (net of applicable income tax reductions of $21,500)		(21,586)
Retained earnings, end of year	$2,812,001	$2,311,027

The accompanying notes are an integral part of these financial statements.

Auditors' Report

To the Shareholders of IWC Communications Limited:

We have examined the consolidated balance sheet of IWC Communications Limited ("IWC") as at August 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

As explained in note 2, IWC has a significant investment in Global Communications Limited ("Global"), on which it is receiving interest income, and offered on December 22, 1976, to purchase additional interests in Global under a buy-sell agreement. Global has incurred substantial operating losses to August 31, 1976, but is operating currently on a profitable basis. In the event that IWC acquires the above additional interests, the ultimate recovery of its then total investment in Global, together with related interest thereon, will depend on Global's ability to sustain profitable operations and to generate sufficient funds to meet its obligations.

In our opinion, subject to the effects, if any, of the ultimate resolution of the matters described in the preceding paragraph, these consolidated financial statements present fairly the financial position of the corporation as at August 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
December 23, 1976.

CLARKSON, GORDON & CO.
Chartered Accountants

Consolidated Statement of Changes in Financial Position

IWC COMMUNICATIONS LIMITED

	Year ended August 31 1976	1975
Source of funds:		
Income before extraordinary items	$ 455,156	$ 483,638
Charges not affecting working capital—		
Depreciation	615,133	555,404
Amortization of deferred development costs	22,692	38,940
Deferred income taxes	130,500	34,210
Funds from ordinary operations	1,223,481	1,112,192
Income tax reductions resulting from carry forward of prior years' losses	51,400	202,800
Total funds provided	1,274,881	1,314,992
Application of funds:		
Purchase of fixed assets	802,578	579,727
Reduction of long-term liabilities	260,026	563,759
Additional investment in Radio CFOX Inc.	50,000	
Deferred frequency change costs	93,473	
15% tax paid on 1971 undistributed income of subsidiary	5,582	
Increase (decrease) in sundry other assets	16,584	(91)
	1,228,243	1,143,395
Investment in debentures of Global Communications Limited (reduction thereof)	(3,500)	2,500,000
Repayment of interim advances from shareholders		1,000,000
Less funds obtained from related issue of shares under rights offering, net of applicable costs		(2,877,229)
		622,771
Provision for loss on insolvency of former subsidiary, less $200,000 debenture write-off included therein which did not affect working capital		327,175
Total funds applied	1,224,743	2,093,341
Reduction (increase) in working capital deficiency	50,138	(778,349)
Working capital deficiency, beginning of year	(1,054,303)	(275,954)
Working capital deficiency, end of year	$(1,004,165)	$(1,054,303)
Working capital deficiency, represented by:		
Current assets	$ 773,178	$ 830,075
Less current liabilities	1,777,343	1,884,378
	$(1,004,165)	$(1,054,303)

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

August 31, 1976

IWC COMMUNICATIONS LIMITED

1. Summary of accounting policies

The following summary of accounting policies of IWC Communications Limited ("IWC") and its subsidiaries is set forth to facilitate the understanding of data presented in these financial statements:

(a) Principles of consolidation—

The consolidated financial statements include the accounts of the corporation and its subsidiaries, all of which are wholly-owned, as follows:

CFGM Broadcasting Limited
Sarnia Broadcasting (1964) Limited
Sold Radio CFOX Inc.
Terra Communications Limited
Barrie Cable TV Limited
Selkirk Orillia Cable TV Limited
Suburban York Sales Limited
288265 Ontario Limited

Radio CFOX Inc. became a wholly-owned subsidiary on the purchase, effective August 31, 1976, of the former 20% minority interest for $50,000 cash. Concurrently, rights held by the former minority interest to exchange such interest for warrants to purchase shares of IWC were cancelled.

The excess of the purchase price of the shares and assets of the subsidiaries over the fair values assigned to their net tangible assets at dates of acquisition is included with other assets in the consolidated balance sheet. The corporation's policy is not to amortize this excess, which relates to subsidiaries purchased prior to 1974, so long as there is no evidence of impairment in value of such subsidiaries.

(b) Depreciation—

Depreciation is provided at rates and on bases designed to amortize the cost of fixed assets over their estimated useful lives, as follows:

	Rate	Basis
Buildings	2½%–10%	Straight-line, or
	10%	Diminishing balance
CATV and radio plant	10%–15%	Straight-line
Equipment, vehicles and other	10%	Straight-line, or
	20%–30%	Diminishing balance

(c) Deferred frequency change costs—

Expenditures (other than on fixed assets) incurred in connection with the frequency change of CFGM (see note 7(c)) have been deferred in the accompanying consolidated balance sheet and will be amortized on a straight-line basis over a ten-year period commencing on completion of the frequency change.

(d) Income taxes—

Deferred income taxes are provided on timing differences between accounting income and income for tax purposes. These differences arise because certain amounts claimed for tax purposes (mainly depreciation) are in excess of related amounts written in the accounts.

2. Interest in Global Communications Limited and related subsequent event

During 1974, voting control of Global Communications Limited ("Global") to January 15, 1983 was acquired by a group (the "Group"), the two principal members of which are IWC and Global Ventures Western Ltd. ("Ventures"). Concurrently, management control of Global was vested in IWC. In conjunction therewith, the Group has acquired, or is committed to acquire, financial interests in Global, as follows (which interests may be varied as a result of the buy-sell offer made by IWC on December 22, 1976, which offer is described below):

	Global 1974 interest debentures (i)		Global 1974 income debentures held (ii)	Interest in options on Global shares (iii)
	Held	Commitment		
IWC and subsidiaries	$3,453,000	$ 460,000	$ 43,500	45%
Ventures group	3,453,000	460,000	43,500	45%
Epstein group	694,000	80,000	10,000	10%
Rosenfeld group	300,000		3,000	
	$7,900,000	$1,000,000	$100,000	100%

(i) The 1974 interest debentures bear interest at 1.2% above the bank prime rate, and are due January 15, 1983. Global can require the Group to purchase additional interest debentures under the above commitment at any time, but no such requirement is presently anticipated.

(ii) The 1974 income debentures bear interest payable out of tax-paid earnings of Global at rates reducing by one percentage point per annum from 29% in 1976 to 20% in 1985 and thereafter to maturity, in 1998, of the pre-tax earnings of Global for each immediately preceding fiscal year. No interest was payable to August 31, 1976 as Global had no pre-tax earnings to that date.

(iii) The Group has options expiring in 1983 to acquire 626,000 currently outstanding Global common shares and 14,000 treasury shares at an average price of $2.92 per share. If the options are exercised, and if certain warrants held by others are exchanged for Global shares, the Group will hold 70.8% of Global's then outstanding common shares.

Under a Group buy-sell agreement, IWC offered on December 22, 1976 to purchase all of the above interests in Global owned by the Ventures and Epstein groups for cash of $6,836,100 and $1,464,000 respectively (total $8,300,100, for which IWC has arranged term bank financing), or to sell to them all of IWC's interests in Global for cash of $6,836,100.

In connection therewith, the Rosenfeld group have agreed to sell their interests in Global to the ultimate purchaser for an additional cash amount of $463,800. Ventures and Epstein have 30 days to decide whether to buy or sell, with the transaction to close at the later of 30 days thereafter or 5 days after receipt of the required approval from the Canadian Radio-television and Telecommunications Commission ("CRTC"). In the event the CRTC does not approve the transaction, the vendor under the buy-sell agreement has the option to become the purchaser and to apply for approval thereof from the CRTC. If such latter approval is not obtained the buy-sell offer becomes null and void and the original Group agreements remain in force.

A copy of the consolidated financial statements of Global is appended hereto. Global is currently operating on a profitable basis, but to August 31, 1976 had incurred substantial operating losses ($21,321,276 accumulated losses to that date), and its liabilities at that date exceeded the book value of its assets by $18,068,810.

3. Fixed assets

The cost of fixed assets as set out in the accompanying consolidated balance sheet is comprised as follows:

	August 31	
	1976	1975
Land	$ 410,103	$ 410,103
Buildings	147,277	142,918
CATV and radio plant	6,158,563	5,447,554
Equipment, vehicles and other	663,106	588,039
	$7,379,049	$6,588,614

4. Long-term liabilities

Details of long-term liabilities are as follows:

	August 31	
	1976	1975
Term bank loans	$ 697,500	$ 927,500
Provision for settlement costs under employment contract, payable without interest over a five-year period to 1978	47,000	77,000
Promissory notes and mortgages	51,910	205,169
	796,410	1,209,669
Less principal amounts due within one year included with current liabilities	380,026	533,259
Long-term liabilities	$ 416,384	$ 676,410

Subsequent to the fiscal year end, IWC and a subsidiary renegotiated their banking arrangements with the above term bank loans as well as an operating loan being repaid with funds obtained by new bank borrowings.

Under the terms of the new borrowing agreements the corporations have established lines of operating and term bank credit, against which they have borrowed to December 23, 1976 $275,000 under the operating credit and $1,082,500 under the term credit. Such loans bear interest at ½% and 1%, respectively, above the bank's prime rate. The $1,082,500 term loan is repayable on a quarterly basis in annual amounts of $250,000 in each of 1978 and 1979, $325,000 in 1980 and $257,500 in 1981.

The bank loans are to be secured by an assignment of the accounts receivable of IWC and its subsidiaries, by guarantees of the subsidiaries and hypothecation of their shares, by pledge of IWC's present and future interests in Global (note 2) and by debentures of IWC and its subsidiaries creating a first fixed and floating charge on substantially all of their assets and undertaking.

The agreements with the bank and the related debentures include various conditions and restrictive covenants, including the covenant that IWC will maintain its working capital and shareholders' equity (both as defined) at certain levels and will not, without the prior written consent of the bank

(a) create additional indebtedness or make capital expenditures above defined levels;

(b) pay dividends or make any change in its authorized or issued share capital.

5. Share capital

(a) Share options—

A total of 26,600 shares of IWC are reserved under options granted to employees and officers, which options are exercisable over periods to 1987 at prices ranging from $2.47 to $3.27 per share.

(b) Restrictions on share transfers—

The board of directors of IWC may refuse to permit the registration of a transfer of any shares in the capital of the corporation that would, in the opinion of the directors, adversely affect the status of the corporation, or any subsidiary thereof, as a corporation eligible to obtain, maintain, amend or renew a licence to carry on a "Broadcasting Undertaking" (as that term is defined in the Broadcasting Act (Canada)).

6. Income taxes

One of the subsidiaries has accumulated losses incurred in prior years of approximately $98,000 at August 31, 1976 which are available as to $65,000 to be carried forward for tax purposes to be applied against such income as may be earned in years up to and including 1978, and as to $33,000 for an indefinite period. In addition, the parent corporation has $47,000 at August 31, 1976 that was charged against

income in a prior year and that is available to reduce future taxable income.

Capital losses of approximately $2,200,000 incurred by IWC in prior years are also available to be carried forward for tax purposes to be applied against such capital gains as may be realized in future years.

No recognition has been given in these financial statements to future tax reductions which may result from the application of the above losses.

7. Commitments

(a) Global Communications Limited—

Reference is made to note 2 concerning the commitments of IWC in connection with its interests in Global.

(b) Cable subsidiaries—

The CRTC required as a condition of its approval of the acquisition of Global that IWC divest itself of its interest in Barrie Cable TV Limited ("Barrie"), Orillia Cable TV Limited ("Orillia") and Terra Communications Limited ("Terra"), on the understanding that this condition would not be asserted until an appropriate time in the future. The licence renewal application of Terra is currently before the CRTC. The licences for Barrie and Orillia were renewed by the CRTC in September, 1976 for a further period of three and one-half years with no stipulation regarding such divestiture.

(c) CFGM frequency change and FM licence—

On July 2, 1976, the CRTC approved a change in the AM broadcasting frequency of CFGM. CFGM is committed to related fixed asset expenditures of approximately $540,000, of which $70,000 was incurred to August 31, 1976, and to other costs of approximately $217,000, of which $93,473 was expended to that date.

On July 12, 1976, CFGM was granted an FM licence to serve Toronto and environs. The corporation will commence to incur costs relating thereto in the 1977 fiscal year, including anticipated fixed asset costs of approximately $375,000.

(d) Lease obligations—

Minimum current net lease commitments for premises aggregate $72,000 annually under various leases with terms to 1985. Leases and agreements for rental of cable distribution facilities currently aggregate approximately $68,000 per annum.

8. Release of bank guarantees

In August, 1976, IWC was released from its guarantee of certain bank borrowings of Global.

In addition, IWC's obligation under a guarantee of the bank indebtedness of a former subsidiary, against which a provision for loss of $300,000 was made in the 1975 fiscal year, was satisfied without further loss during the year.

9. Statutory information

Aggregate remuneration paid or payable to directors and senior officers of IWC (defined by The Business Corporations Act, Ontario, to include the five highest paid employees) amounted to $308,900 (1975—$286,200).

GLOBAL COMMUNICATIONS LIMITED

1976
ANNUAL
REPORT

Directors and Officers

GLOBAL COMMUNICATIONS LIMITED 81 BARBER GREENE ROAD, DON MILLS, ONTARIO. M3C 2A3

Directors

*I. H. Asper, Q.C., *Chairman of Executive Committee, Partner, Buchwald, Asper, Henteleff & Partners (Barristers and Solicitors)*

Leonard E. Barlow, *Senior Vice-President and Director, McLeod, Young, Weir and Company Limited (Investment Dealers)*

*Seymour Epstein, P. Eng. Cons., *President, Imagineering Limited (Broadcast Consultants)*

*J. Trevor Eyton, Q.C., *Partner, Tory, Tory, DesLauriers and Binnington (Barristers and Solicitors)*

Donald H. Gordon, *Vice-President and Secretary, Allpak Products Limited (Diversified Investment and Holding Company)*

Joseph J. MacBrien, *Vice-President, Johnston MacBrien Limited (Investment Counsel)*

*Paul Morton, *Vice-President, President and Director, Odeon-Morton Theatres Ltd. (Motion Picture Theatres) and President, CanWest Broadcasting Ltd. (CKND-TV)*

*Gurston I. Rosenfeld, *President, Guardian Growth Financial Services Limited — Director, Guardian Capital Group Limited*

*Allan Slaight, *President and Chief Executive Officer of the Corporation and IWC Communications Limited*

Lloyd F. Stevens, F.C.A., *President, Allpak Products Limited (Diversified Investment and Holding Company)*

Arni C. Thorsteinson, *Executive Vice-President, Shelter Corporation of Canada Limited (Real Estate Development)*

Officers

Allan Slaight, *President and Chief Executive Officer*

Paul Morton, *Vice-President*

John W. Hardie, *Vice-President, Finance and Administration*

William R. Cunningham, *Vice-President, News and Public Affairs*

Peter D. Viner, *Vice-President, Marketing*

John G. Craig, C.A., *Secretary and Treasurer*

John S. Elder, *Assistant Secretary*

K. Cameron Johnson, C.A., *Controller*

Auditors
Clarkson, Gordon & Co., Toronto, Ontario

Solicitors
Fraser & Beatty, Toronto, Ontario

Transfer Agents
Guaranty Trust Company of Canada, Toronto, Ontario

Global Communications Limited owns and operates the Global Television Network. Global Communications Limited is a constrained share corporation at least 80% of the shares of which must be beneficially owned by persons who are Canadian citizens or who are corporations controlled in Canada.

*Members of the Executive Committee.

President's Report

On behalf of your Board of Directors, I am proud to report the continuing improvement in the performance of Global Communications Limited. Operating results were substantially better than the previous year. Our loss for the year, after a write-down of excess film and program rights in the amount of $1,235,141, was $838,863 and this compares to a loss in the previous year of $4,797,860. Total revenue increased by 80.6% to $15,444,419 but operating expenses increased only by 11.1% to $13,475,945. Results for the first quarter of 1977 continue to show progress and the Company is now operating on a profitable basis.

Financial Restructuring

As a result of the strengthening financial position during the past year, Global was able to renegotiate its banking arrangements on more favourable terms. The Company now may borrow up to $10,000,000 under a Term Loan and up to $3,000,000 under an Operating Loan. Subsequent to August 31, 1976, Global repaid its term loan and substantially all of its operating loan by means of the issue of Series A Income Debentures in the amount of $7,000,000 to the Company's banker. These debentures are "income debentures" under the Income Tax Act (Canada) and bear interest at lower rates.

In addition and as a result of this bank refinancing, the Company was able to purchase $1,789,650 of its 10% subordinated debentures and realize a net capital gain of approximately $374,000.

The effect of the foregoing transactions is a significant improvement of the Company's working capital position and a substantial reduction in the annual interest expense on the Company's long term debt.

Audience Acceptance

Global's competitive position continues to strengthen in the metropolitan markets most important to advertisers. According to the most recent BBM measurements (November 1976), Global is Number One in All-Persons share in Toronto and Hamilton, and Number Two in Ottawa, London and Kitchener between 4:30 and 7:00 p.m., Monday to Friday.

More significantly, the Global Network's adult audience has increased 19% in prime time (7:00–11:00 p.m.) Monday to Sunday over the spring of 1976.

The impressive growth and acceptance of Global News is again confirmed by recent ratings. The November 1976 BBM survey reflected a 25% growth in viewers of our 10:00 p.m. Global News Hour from the spring 1976 survey.

Development of Canadian Programming

After a necessary period of financial re-structuring and operational cutbacks, Global has now embarked on more ambitious Canadian entertainment programs. In the fall of 1976, your Company launched eight new Canadian prime-time programs produced by Global's staff and in conjunction with certain independent producers. The guiding objectives behind this programming have been to produce original, alternative Canadian programming, encourage independent producers, and seek and develop new fresh Canadian performers and writers. Our programs range from the family-science series entitled "Science International", to "Caught In The Act", a showcase series which features over 150 Canadian musicians, singers, composers and comedians, to "Second City" featuring the successful all-Canadian review troupe.

Global's News and Public Affairs Department is of prime importance to our programming and is staffed by 65 producers, reporters, writers, film cameramen and film editors, supplemented with a system of 33 local correspondents throughout Ontario. Highlights of the last year include an interview with René Lévesque on "In Private Life" prior to the Québec election, a special interview with Prime Minister Trudeau entitled "A Critical Moment", and a 90-minute documentary on Hitler's architect, Albert Speer, entitled "The Last Nazi". "The Last Nazi" has recently been nominated as one of the best television programs of the year by the Association of Canadian Television and Radio Artists (ACTRA).

Your Company is pursuing the extension of a third news network in the area of daily news and is continuing to press for more reasonable transmission rates from Canadian telecommunication carriers.

Global has undertaken to make its Canadian programs available to broadcasters in other parts of Canada. Independent CKND-TV in Winnipeg currently broadcasts a substantial number of programs produced at Global, and Global also supplies Canadian entertainment programs to other independent stations in Western Canada. In addition, CKND utilizes Global-produced news material on a daily basis. Efforts are underway to expand the interchange of news and public affairs programming with other independent stations in Western Canada.

Canadian Radio-television and Telecommunications Commission

On December 8, 1976, Global appeared before the CRTC at a public hearing in conjunction with the renewal of its broadcast licence. Management anticipates that the CRTC will publish a licence renewal decision which recognizes the positive progress by the Company to date.

Outlook

The outlook for the television industry in Canada continues strong as major market air-time is still very much in demand.

Since Global is still in its relatively early stages of development, management anticipates that air-time sales will grow at a faster rate than the industry average in 1977. The full effects of Bill C-58, which deters Canadian advertisers from purchasing commercial time on U.S. border television stations, are not expected to be felt until fall 1977.

Your management anticipates that the current year will continue to show further improvement in the financial results of your Company. Sales results and bookings for the current year are very encouraging and management is confident that a reasonable profit will be reported for the fiscal year ending August 31, 1977.

President

January 24, 1977

Consolidated Balance Sheet

GLOBAL COMMUNICATIONS LIMITED (Incorporated under the Canada Corporations Act)

	August 31	
ASSETS	**1976**	**1975**
Current:		
Accounts receivable	$ 1,872,807	$ 1,406,106
Film and program rights	5,202,450	3,569,178
Sundry receivables, prepaid expenses and other	125,579	62,849
	7,200,836	5,038,133
Non-current portion of film and program rights	2,514,784	4,544,232
Fixed, at cost:		
Land	143,446	143,446
Land improvements	73,287	73,287
Buildings	595,959	595,959
Transmitter, studio, mobile and technical equipment	8,112,039	7,897,112
Vehicles	17,863	20,862
Furniture and fixtures	352,757	337,609
Leasehold improvements	1,109,182	1,078,048
	10,404,533	10,146,323
Less accumulated depreciation and amortization	2,392,773	1,432,279
	8,011,760	8,714,044
Deposits and other non-current assets	152,561	
	$17,879,941	$18,296,409

On behalf of the Board:

Allan Slaight, Director

Paul Morton, Director

The accompanying notes are an integral part of these financial statements.

	August 31	
LIABILITIES	1976	1975
Current:		
Bank indebtedness (note 3)	$ 2,700,163	$ 652,520
Accounts payable and accrued liabilities (including instalments due within one year on film and programming contract liabilities: 1976—$6,199,330; 1975—$4,663,248)	8,586,351	6,754,438
	11,286,514	7,406,958
Long-term (notes 3, 4 and 5):		
Term bank loan	2,800,000	5,450,000
Non-current instalments on film and programming contracts	3,128,650	4,936,021
1974 interest debentures due January 15, 1983	7,900,000	6,900,000
1974 income debentures due January 15, 1998	100,000	100,000
10% subordinated debentures due January 15, 1983	10,125,000	10,125,000
Non-interest bearing subordinated notes	608,587	608,587
	24,662,237	28,119,608
Total liabilities	35,948,751	35,526,566
Deficiency in shareholders' equity:		
Capital (note 6)—		
Authorized:		
240,000 voting preferred shares of the par value of 5¢ each		
2,000,000 common shares without par value		
Issued:		
225,000 preferred shares	11,250	11,250
665,030 common shares (1975—665,000 shares)	3,241,216	3,241,006
	3,252,466	3,252,256
Deficit	(21,321,276)	(20,482,413)
	(18,068,810)	(17,230,157)
	$ 17,879,941	$ 18,296,409

Consolidated Statement of Operations and Deficit

GLOBAL COMMUNICATIONS LIMITED

	Year ended August 31	
	1976	1975
Revenue:		
Air time	$14,257,494	$ 7,878,982
Production and other	1,186,925	674,666
	15,444,419	8,553,648
Operating expenses:		
Programming, broadcasting and maintenance	8,605,848	8,120,262
Administration, marketing and occupancy	3,909,603	3,103,056
Depreciation and amortization	960,494	911,288
	13,475,945	12,134,606
Interest:		
Operating bank loan	90,729	24,995
Term bank loan	594,733	617,056
1974 interest debentures	855,379	612,320
Other	35,188	88,393
	1,576,029	1,342,764
Less interest income	3,833	125,862
	1,572,196	1,216,902
Total expenses	15,048,141	13,351,508
Income (loss) before the following	396,278	(4,797,860)
Write-down of excess film and program rights (note 1 (b))	1,235,141	
Loss for the year	(838,863)	(4,797,860)
Deficit, beginning of year	(20,482,413)	(15,684,553)
Deficit, end of year	$(21,321,276)	$(20,482,413)
Loss per share	$(1.26)	$(7.21)

 The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Financial Position

GLOBAL COMMUNICATIONS LIMITED

	Year ended August 31	
	1976	1975
Source of funds:		
Operations—		
Loss for the year	$ (838,863)	$ (4,797,860)
Net charges not resulting in a current outlay of funds:		
Depreciation and amortization of fixed assets	960,494	911,288
Write-down of excess film and program rights	1,235,141	
Total funds provided from (applied to) operations	1,356,772	(3,886,572)
Issue of—		
1974 interest debentures	1,000,000	4,910,000
1974 income debentures		100,000
Subordinated notes to unsecured creditors		(21,467)
Common shares	210	
	2,356,982	1,101,961
Application of funds (exclusive of term bank loan repayment):		
Funds applied (net) in financing non-current film and program rights—		
Reduction (increase) in long-term film and programming liabilities	1,807,371	(1,572,606)
Increase (decrease) in non-current portion of related rights, before above write-down	(794,307)	2,604,765
	1,013,064	1,032,159
Purchase of fixed assets	258,210	550,574
Deposits and other non-current assets	152,561	
	1,423,835	1,582,733
Increase (decrease) in working capital before term bank loan repayment	933,147	(480,772)
(Reduction) increase in term bank loan (subsequently refinanced—note 3)	(2,650,000)	50,000
Net decrease in working capital	(1,716,853)	(430,772)
Working capital deficiency, beginning of year	(2,368,825)	(1,938,053)
Working capital deficiency, end of year (note 3)	$ (4,085,678)	$ (2,368,825)
Represented by:		
Current assets	$ 7,200,836	$ 5,038,133
Less current liabilities	11,286,514	7,406,958
	$ (4,085,678)	$ (2,368,825)

The accompanying notes are an integral part of these financial statements.

Auditors' Report

To the Shareholders of
Global Communications Limited:

We have examined the consolidated balance sheet of Global Communications Limited as at August 31, 1976 and the consolidated statements of operations and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The corporation has incurred substantial losses to August 31, 1976 but is operating currently on a profitable basis. The corporation has substantial long-term debt obligations and its future will depend upon its ability to sustain such profitable operations and to generate sufficient funds to meet such obligations.

In our opinion, subject to the effects, if any, on the consolidated financial statements of the ultimate resolution of the matter described in the preceding paragraph, these consolidated financial statements present fairly the financial position of the corporation as at August 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants

Toronto, Canada,
November 5, 1976.

Notes to Consolidated Financial Statements

August 31, 1976

GLOBAL COMMUNICATIONS LIMITED

1. Summary of accounting policies

The following summary of accounting policies of Global Communications Limited ("Global") and its subsidiary corporations is set forth to facilitate the understanding of data presented in these consolidated financial statements:

(a) Principles of consolidation—

The consolidated financial statements include the accounts of the corporation and of its subsidiaries, all of which are wholly-owned.

(b) Film and program rights—

The corporation enters into various contracts to acquire film and programming rights. Liabilities under the contracts, which are generally payable in instalments over periods of up to five years, are reflected in the consolidated balance sheet when the contracts are signed, with the related costs recorded as assets. Such costs are allocated between current and non-current assets based on estimated usage in the succeeding fiscal year; are charged to operations over the anticipated period of broadcast use; and, are written off when deemed to be of no value. Costs of films included in film and program rights are written off based on a moving average of total film costs, at a rate of 30% for the first showing, and 25%, 20%, 15% and 10% for the second to fifth showings respectively.

The corporation has entered into sale and leaseback arrangements with respect to certain of its program rights. Profits on such sales are deferred and are taken into income over the life of the related lease.

During the 1976 fiscal year, certain excess film and program rights purchased in prior years, which were not expected to be utilized before their expiry dates because of changes in the corporation's programming practices, were written down by $1,235,141.

(c) Depreciation and amortization—

Depreciation and amortization are provided at rates designed to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Land improvements	5%
Buildings	5%
Transmitter, studio, mobile and technical equipment	7½%–12½%
Vehicles	20%
Furniture and fixtures	10%
Leasehold improvements	4%

(d) Income taxes—

No recognition has been given in the accounts to potential future income tax savings arising from the carry forward of losses of the current and prior fiscal years (see note 7).

2. Agreements with the Global Group

During the 1974 year, control of Global was transferred to a group (the "Group"), the two principal members of which are IWC Communications Limited ("IWC") and Global Ventures Western Ltd. ("Ventures"). In connection therewith, various reorganization and refinancing arrangements and a proposal to creditors were effected by Global. As a result:

(a) The Group has voting control of Global under a "Voting Trust and Option Agreement" which expires January 15, 1983; has options expiring on January 15, 1983 to purchase 626,000 of the 665,030 issued common shares of the corporation from existing shareholders; and has a further option to purchase 14,000 common shares from the corporation's treasury at $7 per share.

(b) Management control of Global has been granted to IWC under a contract expiring on January 15, 1983, at an annual fee ($175,000 in fiscal 1975 and 1976) which is reviewable annually.

(c) IWC and Ventures (as well as, in an individual capacity, two of Ventures' principals as to $750,000 each) each guaranteed up to $1,500,000 (total $3,000,000) of Global's term bank debt in excess of the first $3,000,000 of such debt. For such guarantees, Global paid the guarantors (other than Ventures) 1% per annum of the amount of the outstanding guarantees. These guarantees were released during August, 1976.

(d) The Group has purchased at par, $7,900,000 of interest debentures (the "1974 interest debentures") and $100,000 of income debentures (the "1974 income debentures") of the corporation. Reference is made to notes 4(a) and 4(b) for a description of the terms of such debentures.

Under the terms of its present agreements with the corporation, the Group is committed to purchase an additional $1,000,000 of 1974 interest debentures as and when required by Global, but no such requirement is presently anticipated.

3. Bank indebtedness

During the year, the corporation renegotiated the terms of its banking agreement, and may now borrow up to $10,000,000 by way of a term loan ($2,800,000 outstanding at August 31, 1976) and up to $3,000,000 by way of an operating loan ($2,250,000 outstanding at August 31, 1976). The loans under this agreement bear interest at 1½% and ½% respectively above the bank's prime lending rate from time to time.

In October, 1976, the corporation's banker agreed to retire, during the period to August 31, 1977, a part or the whole of the above term loan credit, and in lieu thereof to

purchase up to $10,000,000 of Secured Income Debentures, Series A (the "Series A Income Debentures") of Global. A total of $6,000,000 of such debentures were issued during October, 1976, and the existing term loan and a portion of the operating bank loans were repaid in that amount.

The Series A Income Debentures, which qualify as "income debentures" under the Income Tax Act (Canada), bear interest at a rate of 2% plus one-half of the prime rate, but such interest is payable only to the extent that Global has "cumulative net profit", as defined, in periods after September 1, 1976. The debentures may be prepaid in whole or in part without bonus or other penalty, and are repayable in quarterly principal instalments in the following aggregate annual percentages: year ending August 31, 1979—10%; 1980—15%; 1981—20%; 1982—25%; 1983—30% (the percentage for 1983 including a final instalment of 7½% due on September 1, 1983).

The bank loans outstanding from time to time are secured by an assignment of book debts and collaterally by a $15,000,000 demand debenture and by the Series A Income Debentures. These debentures create a first and second fixed and floating charge on substantially all of Global's assets.

The agreements with the bank contain various conditions and restrictive covenants, which conditions and restrictive covenants were met by Global as at August 31, 1976 or have been waived by the bank, including the requirement that Global maintain working capital, as defined, at certain levels, and maintain its broadcasting licence in good standing, and that Global will not, among other things, without the consent of the bank:

(a) create additional charges on any of its assets, incur net lease rental obligations (exclusive of the microwave contract described in note 8(b)) in excess of $600,000 per annum, incur any additional funded debt or increase total liabilities beyond agreed upon amounts; or

(b) pay dividends in respect of its capital stock, or reduce its paid-in capital.

4. Debentures and non-interest bearing subordinated notes

(a) 1974 interest debentures due January 15, 1983

The 1974 interest debentures bear interest at the prime bank rate applicable from time to time plus 1.2% and may be prepaid in whole or in part at any time without premium, subject to prior repayment of bank indebtedness.

The interest debentures are secured by a floating charge on all of Global's assets, subject only to prior claims and security held by Global's bankers and to the claims of ordinary trade creditors (and of certain other creditors designated as such) for liabilities incurred from May 22, 1974 until May 22, 1977, and rank pari passu with $5.80 of each $45.00 (or an aggregate of $1,305,000 at August 31, 1976) of principal amount of the 10% subordinated debentures outstanding from time to time.

(b) 1974 income debentures due January 15, 1998

The 1974 income debentures bear interest payable out of Global's tax-paid earnings at rates reducing by one percentage point per annum from 28% in 1977 to 20% in 1985 and thereafter of the pre-tax earnings of Global for each immediately preceding fiscal year, such interest being subordinate to that under the Series A Income Debentures held by the bank (note 3).

The income debentures are secured by a floating charge on all of Global's assets, subordinate to the 1974 interest debentures.

(c) 10% subordinated debentures due January 15, 1983 and related material subsequent event

The 10% subordinated debentures bear no interest from January 16, 1974 to January 15, 1977, after which time interest at 10% will be payable to maturity.

The 10% debentures carry a floating charge on the assets of Global in Ontario and are subordinate to the interests of the bank and to the 1974 interest and income debentures, except for $5.80 of each $45.00 (or a total of $1,305,000 at August 31, 1976) of principal amount ranking pari passu with the 1974 interest debentures.

Under a Tender Offer dated August 31, 1976, Global invited tenders of Units of one $45.00 par value 10% debenture and one related preferred share (note 6(b)) for purchase by the corporation or one of its subsidiaries at $32.50 per Unit. As a result of this offer, a total of 39,520 Units were acquired subsequent to August 31, 1976 by one of the corporation's subsidiaries with funds (total $1,284,400) advanced by Global through use of its banking facilities. The gain ($495,976) on such repurchase, less related deferred income taxes of $124,000, and less the expenses of the Offer net of related tax recoveries, will be reflected as an extraordinary item in the consolidated statement of operations in the year ending August 31, 1977.

(d) Non-interest bearing subordinated notes

The notes are repayable in five equal annual instalments commencing January 15, 1979 but if any payments are made on the 1974 income debentures, then equal payments are to be made pro rata to the holders of the subordinated notes to be applied against instalments due in reverse order of maturities.

The notes are unsecured and are subordinate to all other obligations and indebtedness of Global. The provisions attaching to the notes prohibit the corporation from paying dividends on its outstanding shares until all such notes have been paid or discharged.

5. Instalments of long-term liabilities due

Excluding the required repayments of bank indebtedness which are described in note 3, subsequent payments required in each of the next five years to repay the following long-term liabilities outstanding at August 31, 1976 are as follows:

	Year ending August 31				
	1977	1978	1979	1980	1981
Instalments payable on film and programming contracts	$6,199,330	$2,048,413	$ 972,906	$107,331	
Non-interest bearing subordinated notes			121,717	121,717	$121,717
	$6,199,330	$2,048,413	$1,094,623	$229,048	$121,717

6. Share capital

(a) Restrictions on share transfers

The Board of Directors may make such rules and regulations from time to time as it shall deem necessary or appropriate to enforce the special statutory provisions applicable to

constrained share corporations as set forth or referred to in Global's charter. Under the Broadcasting Act (Canada), in effect, 80% of the shares of Global and other corporations holding a broadcasting licence must be owned by Canadians.

(b) Voting preferred shares and related subsequent event

The voting preferred shares were issued in units with the 10% subordinated debentures and are to be purchased, at par, for cancellation upon the redemption or discharge of the related debentures by the corporation or on purchase by its subsidiaries.

Subsequent to August 31, 1976 a total of 39,520 voting preferred shares were purchased, at par, for cancellation as a result of the Tender Offer referred to in note 4(c).

(c) Common shares, share options and warrants

During the year thirty common shares were issued, at $7 each, upon the exercise of thirty outstanding share purchase warrants of the corporation.

The corporation has reserved 238,970 authorized but unissued common shares for issuance, as follows:

(i) To the holders of remaining warrants to purchase shares at $7 each, exercisable to January 1, 1983—224,970 shares;

(ii) To the Group on the exercise of options to purchase shares at $7 each at any time to January 15, 1983 (note 2(a))—14,000 shares.

The common shares of the corporation now outstanding and to be issued on exercise of the above options and warrants are subject to deposit under the terms of the Voting Trust and Option Agreement referred to in note 2(a).

7. Income taxes

At August 31, 1976 losses aggregating approximately $20,780,000 were available to carry forward for income tax purposes to be applied against such income as may be earned in future years, as follows:

Amount available	Available to apply against income earned to August 31
$12,490,000	1979
3,190,000	1980
550,000	1981
4,550,000	indefinitely
$20,780,000	

8. Commitments and other matters

(a) Lease obligation

The corporation's head office, network control centre and production facilities in Metropolitan Toronto have been leased on a net basis for a period of twenty-five years expiring December 31, 1998 (with options to renew for two successive five-year periods) at an annual rental of $480,000. The annual rental is to be adjusted by 50% of the cost of living index change in the tenth and the twentieth year of the lease.

(b) Microwave contract

The corporation has also entered into an agreement to purchase microwave service for a period of ten years ending December 31, 1983 at an annual rental of $434,962 per annum.

(c) Other commitments

In addition, the corporation has commitments in the normal course of business in various amounts for periods of up to seven years, under contracts relating to the provision of news services, services of individuals, and other services.

(d) Licence renewal

The corporation carries on its operations under the terms of a broadcast licence. Such licences are issued by the Canadian Radio-television and Telecommunications Commission for periods of up to five years, and are subject to renewal. The corporation's current broadcast licence expires on March 31, 1977 and it has applied for renewal thereof.

9. Statutory information

Information with respect to the number of directors and officers of the corporation, and their remuneration is as follows:

	1976		1975	
	Number	$	Number	$
During the year:				
Directors	11	Nil	11	Nil
Officers	10	$95,260	7	$25,000
As at August 31:				
Directors	10		11	
Officers	9		7	
Number of officers who were also directors during the year	4		4	

The above amount for remuneration does not include amounts paid or payable to corporate entities under management or employment contracts for services of officers and directors, which amounts aggregated $332,311 in 1976 (1975—$273,824).

Printed in Canada